

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 TRSE-00 DODE-00 SS-15 SP-02 MMS-01 PM-03

L-03 EB-07 CU-02 CIAE-00 INR-07 NSAE-00 ACDA-05 AGR-05

AID-05 COME-00 NSC-05 OMB-01 OPIC-03 PC-01 OFA-01

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R 031314Z JUN 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 5781

S E C R E T QUITO 3830

E.O. 11652: GDS

TAGS: EC, PFOR

SUBJ: ECUADOR CASP (FY 76-77)

REF: STATE 126212

1. EMBASSY APPRECIATES PRE-IG INTEREST IN ISSUES FACING U.S. IN ECUADOR AND WILL BE HAPPY TO BE OF WHATEVER ASSISTANCE IT CAN IN AN EFFORT TO IDENTIFY AND RESOLVE ADDITIONAL CASP-RELATED ISSUES. AS A START WE OFFER THE FOLLOWING COMMENTS ON THE THREE ISSUES SUGGESTED IN REFTEL.

2. EACH OF THESE THREE ISSUES WAS THOROUGHLY EXAMINED IN THE INTELLECTUAL FRAMEWORK OF THE CASP GUIDELINES, THAT IS, AS THEY FOLLOWED FROM U.S. INTERESTS TO THE LEVELS OF CONCERN AND THE CHALLENGES AND OPPORTUNITIES PRESENTED IN THE CASP TIMEFRAME. FRO A VARIETY OF REASONS THEY DID NOT APPEAR AT THE TIME TO SUGGEST ISSUES REQUIRING WASHINGTON RESOLUTION.

3. CONCERNING ACCESS TO HYDROCARBON PRODUCTION AND PROTECTION OF U.S. INTERESTS ENGAGED IN HYDROCARBON PRODUCTION, WE HAVE BOTH THE MATTER OF GOE PRICING POLICIES FOR PETROLEUM AND THE NATURAL GAS IN THE GULF OF GUAYAQUIL TO BE DEVELOPED BY NORTHWEST PIPELINE. WE

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SEE NO PROBLEM OF ACCESS WITH RESPECT TO PETROLEUM AS THE

GOE HAS REPEATEDLY STATED THAT IT WILL BE NON-DISCRIMINATORY IN PROVIDING ACCESS. ON PRICING, BOTH TEXACO AND GULF HAVE ASKED THAT THE USG NOT INTERVENE AT THIS TIME AND THE MOST LIKELY SCENARIO IS THAT THE COMPANIES WILL WORK OUT THE PROBLEM DIRECTLY AND SATISFACTORILY WITH THE GOE. WE SAW THEN AND WE SEE NOW NO ISSUE THAT CAN BE FRAMED IN TERMS OF A REQUIREMENT FOR WASHINGTON RESOLUTION. THE CONTRACT WITH NORTHWEST PIPELINE WAS JUST SIGNED AND WE FORESEE A HONEYMOON PERIOD FOR AT LEAST THREE YEARS, THAT IS THE CASP TIMEFRAME, BEFORE ANY PRODUCTION ACTIVITIES BEGIN.

4. WE DID NOT INCLUDE THE FISHERY DISPUTE THIS YEAR AS AN ISSUE BECAUSE BY THE TIME OF DRAFTING THE CASP MATTER HAD ALREADY MOVED INTO WHAT APPEARED TO BE PARTLY A MULTILATERAL CONTEXT WITHIN THE LOS GENEVA MEETING. THERE DID NOT SEEM TO BE A CASP-LIKE ISSUE INVOLVED, BECAUSE THE MAIN OUTLINES OF A NEW APPROACH HAD ALREADY BEEN WORKED OUT. NOW WE UNDERSTAND A NEW SCENARIO IS BEING DEVELOPED FOR POSSIBLE DISCUSSION PRIOR TO THE SEPTEMBER UNGA. THE DEGREE OF ITS SUCCESS WILL DETERMINE THE NEXT STEPS. THE CASP IS NEITHER A MULTILATERAL PLANNING DOCUMENT NOR A CONTINGENCY PAPER AS WE UNDERSTAND IT. WE DID NOT CONSIDER IT TO BE AN APPROPRIATE VEHICLE FOR MAKING AN "ISSUE" OUT OF THE FISHING PROBLEM AT THIS TIME, BUT IF WASHINGTON BELIEVES IT CAN BE TRULY USEFUL RIGHT NOW TO HELP SOLVE THE PROBLEM, WE WELCOME ITS INCLUSION.

5. WITH RESPECT TO ECUADOREAN DEVELOPMENT POLICY, WE LIMITED OUR DISCUSSION TO THE IDB-FSO ISSUE BECAUSE IT WAS PRECISE, TARGETTED AND OF HIGH CONCERN TO THE GOE. WE ARE DELIGHTED THE ISSUE HAS BEEN REASONABLY RESOLVED. WE DID NOT BROADEN THE ISSUE TO INCLUDE OTHER INTERNATIONAL SOURCES OF FINANCING PRIMARILY BECAUSE WE HAVE NOT BEEN FULLY APPRISED AS TO WHAT US POLICY HAS BEEN TOWARD LENDING TO ECUADOR IN THESE OTHER INSTITUTIONS, NOR HAS THE GOE EXPRESSED SUCH A HIGH DEGREE OF CONCERN AS IN THE CASE OF THE FSO. PERHAPS THEIR EMBASSY IN WASHINGTON HAS.

6. CONCERNING OUR ABILITY TO INFLUENCE GOE DEVELOPMENT
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STRATEGY, WASHINGTON AGENCIES SHOULD UNDERSTAND THAT AT THE TIME OF DRAFTING THE CASP WE THOUGHT WE WERE ON COURSE WITH THE AGREED TERMS OF THE TRANSITION LOAN. THE ISSUE WE HAD PROPOSED IN THE PRIOR CASP HAD BEEN RESOLVED AGAINST THE MISSION RECOMMENDATIONS; WE ACCEPTED THIS AS A FACT OF LIFE AND PROCEEDED WITH WASHINGTON ASSISTANCE AND CONCURRENCE TO DEVELOP A PROPOSAL FOR THE THREE MILLION DOLLAR TECHNICAL ASSISTANCE LOAN AS A BRIDGE BETWEEN

GRANT-FINANCED TA AND FULLY-REIMBURSABLE TA. WITH WASHINGTON APPROVAL WE INFORMED THE PRESIDENT OF ECUADOR AND VARIOUS MINISTERS OF THIS POSSIBILITY. SUBSEQUENT TO THE DRAFTING OF THE CASP THE DEPARTMENT FOUND CONDITIONS SO CHANGED ESPECIALLY WITH RESPECT TO CONGRESSIONAL ATTITUDE TOWARD ECUADOR THAT A DECISION WAS MADE NOT TO GO FORWARD WITH THE PLANNED TRANSITION. THIS DOES LEAVE US WITH PROBLEMS IN DETERMINING HOW BEST TO HELP INFLUENCE THE GOE TO MAKE THE MOST EFFECTIVE USE OF ITS OWN RESOURCES TOWARD DEVELOPMENT. THIS MISSION HAS ALREADY ADVANCED SOME IDEAS (SEE ESPECIALLY QUITO 3781) AIMED AT SETTING THE STAGE FOR AN ECUADOREAN MOVE TO REIMBURSABLE TA IN THE ABSENCE OF THE LOAN. THESE PROPOSALS COULD SERVE AS THE BASIS FOR A NEW CASP ISSUE, FOR THEY DO REQUIRE WASHINGTON DETERMINATION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CASP, FOREIGN ASSISTANCE PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975QUITO03830
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750193-1245
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750686/aaaadaou.tel
Line Count: 131
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: 75 STATE 126212
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 24 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 JUN 2003 by BoyleJA>; APPROVED <04 NOV 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECUADOR CASP (FY 76-77)
TAGS: PFOR, EC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006